



**Quarterly Report for the period of  
April 20 – June 30, 2001**

***TERRA INSTITUTE, LTD.***

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**GEORGIA LAND MARKET DEVELOPMENT  
COOPERATIVE AGREEMENT No. 114-A-00-01-00111-00  
BETWEEN THE UNITED STATES AGENCY FOR  
INTERNATIONAL DEVELOPMENT (USAID)  
AND  
TERRA INSTITUTE, LTD.**

This report comments on the status of the Cooperative Agreement (C.A.) after just over two months of functioning. In the future, performance reports will be produced in coordination with the three-month workplans, which will correspond with the calendar quarters.

**1. TERRA INSTITUTE, LTD. RESPONSIBILITIES AND ACTIVITIES:**

It is recognized that the Association for the Protection of Landowner's Rights (APLR) land markets team and the APLR with the guidance of USAID foreign advisors over the past two and one half years has developed the knowledge, expertise and competence to continue land market development and land registration activities in Georgia with limited support from foreign experts. Therefore, it is important that the support provided by the Terra Institute, Ltd. (Terra) and its advisors be oriented to financial and project management development in order to position the APLR to assume full operational responsibility in the shortest possible time frame. The APLR will drive policy, legal reform, land privatization and deal with land registration production work with part-time assistance from the Terra Institute, Ltd. and specialized foreign experts. It is preferable to have a short-term advisors available to the APLR for the duration of this two-year program of work.

The following work has been done on the various responsibilities, activities and targets as specified in the C.A. May 2001 is "Month 1".

Annex A will provide a visual representation of the summary timeline, which includes Terra Institute, Ltd. and APLR "Targets" for Georgia Land Market Development Project **and** "Targets Achieved".

## 1.1 Financial Management Capacities:

Financial accounting capabilities of the APLR have been strengthened in the following ways:

--ORIS financial accounting software has been acquired, in Georgian and English languages, the Treasurer has received preliminary training in the use of the software, and two additional staff who hired beginning 1 July along with the APLR Treasurer will receive full and practical training in the use of the software during July.

--Pre-numbered administrative forms have been prepared: expense vouchers, deposit vouchers, internal transfer vouchers, procurement notes.

--A Report of Actual Findings concerning Internal Controls at the APLR as of 20 June 2001 was conducted by the Auditing Corporation of Georgia (ACG), to identify any weaknesses in the internal administrative controls of the APLR. The recommendations of this report are being implemented.

--A draft has been prepared of the APLR's Financial and Administrative Procedures Manual, which provides the basis for the ACG's pre-audit services, which will begin on 9 July 2001. The ACG will make suggestions for the improvement of this Manual as needed. This support to the APLR, as well as the direct support provided by Terra's administrative staff, will help assure that legal requirements are satisfied as well as A133 Auditing Standards requirements and accounting and tendering procedures of Georgia. The monthly reports of the "pre-audit" service will satisfy audit requirements and will assist the APLR in acquiring the financial, management and tendering skills needed.

Targets of the C.A.:

- 1.1.1 APLR accountant prepares accounting report independently by the end of month 8.

**Status:** The APLR Treasurer has prepared the first three financial reports for the month of May, before the 15<sup>th</sup> of Month 2.

- 1.1.2 APLR Operations Manual completed by month 10

**Status:** A draft of the Manual was completed before the end of Month 2.

- 1.1.3 Administrative procedures audit by month 12

**Status:** An administrative procedures audit was completed and finalized before the end of Month 2.

## 1.2 Revenue Supply, Financial Monitoring and Contracting:

Provision of banking service to accept USAID provided funds from Terra supply operational funds to the APLR, contract with foreign experts, and monitor financial practices and reporting by APLR. This service will be provided directly by Terra Institute, Ltd. with assistance by financial and administrative-procedures experts.

Targets of the C.A.:

- 1.2.2 APLR sub-agreement with Terra by month 1  
**Status:** Subagreement was signed on 11 May, 2001, month 1 of the project.  
**ACHIEVED**
- 1.2.2 APLR bank accounts opened by end of month 1  
**Status:** The APLR has opened in May, 2001 a US Dollar account and a GEL account in the TBC Bank, for exclusive use in the administration of funds advanced from Terra to the APLR.  
**ACHIEVED**
- 1.2.3 APLR procedures for reporting on monthly expenditures and reconciliation of accounts by the end of month 1  
**Status:** Four monthly financial reports have been defined and tested: 1) A “no-pay invoice” classifying the APLR’s expenditures under the sub-agreement by budget item, showing the accumulated expenditures, any credits received, and work program budget balances; 2) a “reconciliation” report showing the beginning month balances, any transfers or program or interest credits during the month, the total expenditures during the month, and the end of month fund balances; 3) a ledger of all transactions during the month; and 4) a running balance of the overall budget under the agreement with Terra Institute.  
**ACHIEVED**
- 1.2.4 Terra-identified financial advisors in place, end of Month 2.  
**Status:** An agreement with the ACG has been developed and signed on 30 June 2001, for that company’s auditors to perform “pre-audit” reviews of all APLR financial transactions to assure that the documentation and reviews of these transactions are in accordance with the APLR Procedures Manual and with the requirements of Terra Institute’s agreement with the APLR.  
**ACHIEVED**

### 1.3 APLR Capacity Building:

Provision of advice and support to the APLR to increase its operational, management and administrative capacity. This advice and support would be provided directly by Terra Institute, Ltd. short-term expertise as needed and by NGO (Non-Governmental Organization) development specialists.

Targets of the C.A.:

#### 1.3.1 Confirmation of APLR organizational structure end of Month 3

**Status:** An amended Charter of the APLR has been prepared and distributed to the APLR senior staff and is being prepared for distribution to the APLR members and Boards. In that Charter, the organizational structure of the APLR is defined as well as the responsibilities of the key people in that structure. It is envisioned that the Charter amendment will be approved by the APLR during July (month 3). This Charter goes much farther than simply a confirmation of the existing organizational structure, in preparing the foundations for sustained organizational growth over the coming months and years.

#### 1.3.2 NGO/SRO (Non-Governmental Organization/Self-Regulating Organization) Development advisor report on the status of the APLR by month 3.

**Status:** The amended Charter, initial meetings of the membership and Association Board, the financial and administrative procedures manual, will constitute the basis for this report, due at the end of July.

#### 1.3.3 Training plan for professional development of APLR staff, end of month 5

**Status:** A weekly seminar series for APLR staff training has been defined and will be initiated the first week of July, including: 1) presentations by APLR Sector Directors about the objectives and achievements of their sectors to date; 2) discussion by prominent APLR members of their vision for the future development of the APLR, 3) presentations by managers of other initial registration programs of the objectives, methods and achievements of their projects to date (especially the World Bank, KfW, and UNDP); 4) presentation by the leadership of the State Department of Land Management concerning the strategic development of that agency, achievements and problems encountered.

#### 1.3.4 Strategic plan for APLR organizational development, end of month 7.

**Status:** Beginning with the discussion of the new Charter of the APLR, and membership and board meetings scheduled for July, the conditions will be created to develop a long-term organizational

development strategy. Basic to this strategy will be the results of the SRO work described below.

#### **1.4 Land Privatization, Legal Reform, and Land Market Development Support:**

In support of the Legal Sector of the APLR, specialized support and advice from foreign land reform and legal experts on aspects of land privatization, land law reform and land market development will be provided.

Leonard Rolfes is scheduled to work with the Legal Sector on state agricultural land privatization, and the development of options for land market transactions involving family owned agricultural land.

Work has already been done to help the APLR devise ways to resolve problematic situations where SDLM (State Department for Land Management) land arrangers improperly conduct land distributions (example of Dighomi).

Work also has been done to define the APLR policies concerning the access of Registrars, other government agencies and NGO's, and private companies to land information which the APLR produces or acquires.

A series of policy options will be developed in the short term concerning:

- the Registration Office debate (regional versus rayon),
- Registration Offices in an independent, self financed agency within 3 years, with staff salary subsidized from central budget for that period as needed;
- BTI (Bureau of Technical Inventory), integrate information, some staff, and Rayon office space into Registration Offices),
- duties of foreign funded initial registration projects to consider their work "done" when ownership certificates are distributed, commented on, and where needed corrections are made in the cards, journals and maps, and this information accepted by Registrars.
- The mixture of paper and digital records, when to do which, and role of digital information as archival information until market develops enough for switching some offices to digital.
- Use of ortho-photos, satellite imagery, and other base maps for integrating the graphical information being generated by cadastre and registration projects.
- Use of UNDP (United Nations Development Programme) registration information management software for use by all projects for creating initial registration databases and for updating them subsequently.

- World Bank and other donor refurbishing money priority support of Rayon Registration Offices and then to regional information processing centers, especially once BTI integration is done and their office space is available.

### **1.5 SRO Development Support, and Association Formation**

An umbrella SRO, linking the APLR and the real estate market professional associations will be structured in a way that will allow for a synergistic relationship among the various associations to develop, such that the professional associations will benefit from APLR lobbying, legal/policy advice and public education support. Similarly, APLR will benefit from the financial assistance the professional associations will render to it.

It is important that this work develop out of the felt needs of the various land market professionals, and not be a temporary financial inducement for people to express support for the SRO idea, which will probably die after the project ends.

To begin this work, a SRO team has been formed in the APLR to carry out an assessment of the status of various land market professionals, their levels of professional training, their main problems,: Group 1—who are ready for discussions about professional development—include Registrars, Land Surveyors and Real Estate Appraisers; Group 2—some experience with professional associations—Brokers and Notaries; Group 3---Problematic for different reasons—Real Estate Developers, Property Managers, Auctioneers, Architects and urban planners.

This assessment will be completed by the end of September (this is month 5, not month 4 as called for in the CA, but little can be done in August due to vacations).

### **1.6 Resident Advisor Support:**

David Smith has assumed his position as a full-time resident advisor to the APLR. He will be working primarily on the organizational development of the APLR as well as the component parts of the SRO. He also will assist the APLR in getting specific technical and organizational advice on the other components of the C.A. as needed.

David Stanfield carried out the Resident Advisor functions from 11 May 2001 until Mr. Smith arrived in Georgia on 26 June 2001.

## **2. APLR OPERATIONAL PROCEDURES AND ACTIVITIES:**

The APLR's scope of work is to carry on the registration of ownership rights to approximately 1,130,000 agricultural parcels and 270,000 residential parcels, to continue with public education and land market policy work, and to develop a program for SRO formation and a pilot effort for services to mediate among conflicting parties and to resolve legal difficulties of property owners.

The following work has been done on the various responsibilities, activities and targets as specified in the C.A.

## **2.1 Registration of ownership rights to approximately 1,400,000 rural land parcels and issuance of registration certificates to evidence those rights;**

Targets of the C.A.:

### **2.1.1 500,000 parcels will be registered by the end of month 8**

In order to achieve the above target, sector of initial registration studied the number of land parcels existing in Georgia by rayons, for the moment of beginning of the project. A list of the rayons was determined, where the project would be able to work. As a result, 51 rayons were confirmed, on territory of which would be carried out initial registration of the total of 1.4 million land parcels, as well as issuance of registration certificates.

**Status:** A detailed time schedule of work to be performed was elaborated. Observing this schedule will enable us to meet relevant requirements of the agreement between Terra Institute and APLR, as well as the agreement between Terra Institute and USAID. Schedule of the works to be performed is attached with the report (Annex B).

### **2.1.2 1 million parcels will be registered by the end of month 16**

**Status:** (See above)

### **2.1.3 1.4 million parcels will be registered by the end of month 24**

**Status:** (See above)

### **2.1.4 Professional personnel will be identified for the new rayons by the end of month 2**

Professional employees had to be selected for both the initial registration sector and the secondary transactions sector. Under the term “professional employees” are meant the subcontractor companies, which will carry out the works of the Land Markets Development Project in rayons, based on individual contracts. Duties of the sector of initial registration included preparation of all the necessary documents for conduction of the tender selection procedure. Administrative sector and initial registration sector of the project elaborated the necessary documents and announced a tender on all of the 51 rayons. The tender was conducted in two stages: invitation of private companies for evaluating their qualification and the second stage – conduction of the tender itself, with participation of the companies that were evaluated

positively during the invitation. Below is given the table of all the tender procedures conducted in this sector:

<b>Work completed or to be performed</b>	<b>Target Date</b>	<b>Result</b>
Elaboration of tender and agreement documents	Before 09.06.01	<b>ACHIEVED</b>
Invitation of companies	09 – 19.06.01	<b>ACHIEVED</b>
Opening and consideration of documents submitted during the invitation	19 – 25.06.01	<b>ACHIEVED</b>
Announcement of the tender	26.06 – 02.07.01	
Consideration of the tender documents	02 – 10.07.01	
Announcement of winners of the tender	10.07.01	
Processing of agreements with winner companies	Beginning 11.07.01	

Tender commission was formed for evaluating the proposals received in process of the tender and for identifying the winners. The commission was also divided in two groups of members. The first – the technical tender commission and the second – the main tender commission. Function of the technical tender commission was to evaluate the technical aspects of the proposals submitted by private companies, meaning to what extent did particular company meet our technical specification requirements. As to the main tender commission, it considered the financial aspect of the proposals and made final decision regarding the winners.

**Status:** The necessity of extending the time term for tender procedures made it necessary to prolong the process of selection of private companies and postpone processing of contracts with them until the 16<sup>th</sup> day of month 3. However, it should also be noted that if during the tender process the number of companies willing to work in a particular rayon does not constitute the minimum of three candidates, the Association and the project will be obliged to announce the tender on this rayon for the second time. At that stage, there will be no obligatory limit for the number of candidates, participation of even one pretender will be sufficient. Due to all of the above-mentioned, selection of subcontractors in some of the rayons might be postponed further in time. In the most extreme possible case, this process will be completed by the end of month 3.

#### 2.1.5 Training of new rayon personnel will be completed by month 3

Training of new employees in rayons means training provided to employees of the subcontractor private companies, chosen through the tender, in conduction of field geodesic work and training to subcontractors' office employees in use of computer software. For that



purpose, by IT (Information Technology) specialists of the project and upon consultation with employees of the sector has been designed a new version of the software, which will enable PC (Personal Computer) operators of the private companies to digitize field measurements and print the necessary documents.

**Status:** Completion of the indicated training depends on procession of contracts with the private companies themselves, due to which completion of this process will also be postponed until the next month. In case of successful implementation of the tender work in terms of time, training should be completed by the end of month 3 or, at the latest, at the end of month 4.

## **2.2 Development of secondary market for both enterprise and agricultural land;**

Targets of the C.A.

In this sector, like in the initial registration sector, the conduct of work at the rayon level is planned to occur through subcontractor private (broker) companies. Acceleration of the land market development by the project depends on the strategy elaborated by the project and on productive work by these companies. In May-June in this sector's organizational work and tender procedures were undertaken. Below is given the time schedule of these activities:

<b>Work completed or to be performed</b>	<b>Target Date</b>	<b>Result</b>
Elaboration of tender and agreement documents	Before 12.06.01	<b>ACHIEVED</b>
Invitation of companies	12 – 26.06.01	<b>ACHIEVED</b>
Opening and consideration of documents submitted during the invitation	26.06– 2.07.01	<b>ACHIEVED</b>
Announcement of the tender	02 – 12. 07.01	
Consideration of the tender documents	12 – 16.07.01	
Announcement of winners of the tender	17.07.01	
Processing and signing of contracts with winner companies	Beginning 18.07.01	

In the secondary transactions sector, selection of companies has also been postponed to the end of month 3 (instead of the end of month 2, as was initially planned).

### **2.2.1 Increase in secondary transactions by 10% at end of month 14**

**Status:** At the same time with the tender works underway in the sector, work was done on assessment of the current situation on the land market. In particular, we began a study of the land market statistics: what is the number of transactions on land or other related real estate.

Data of this study will be used as initial information at the beginning of the project, in order to determine indicators of the land market.

- 2.2.2 Increase in secondary transactions by 20% at the end of month 24  
**Status:** *(See above)*

## **2.3 Support and assistance for the privatization of state-owned agricultural land;**

Targets of the C.A.:

- 2.3.1 Analytical Report on needed legislation, regulations and other legal needs at the end of month 6

**Status:** We are reviewing the comments and reports elaborated to date in the legislative sphere and a study of their progress.

- 2.3.2 Draft legislation, regulations and other legal instruments as needed

The APLR, with participation of lawyers of the Land Markets Development Project, has elaborated a draft Law on Privatization of Agricultural Land Existing in State Ownership. The indicated draft Law has been submitted by the Georgian Parliamentary Committee on Economic Reform to the Parliament for consideration. Close cooperation in this issue has been achieved also with the Agrarian Committee of the Parliament.

**Status:** Discussion by Parliament is planned to begin at the autumn session of the Parliament. The APLR's legal team, while using the Parliament and Chancellery office, are monitoring the discussion of this issue in Parliament. Close cooperation needs to be maintained with the Parliamentary Committee on Economic Reform and the Agrarian Committee, so that the draft Law is considered at the autumn session of the Parliament and adopted in its current version.

## **2.4. Provision of public education support for land reform;**

Targets of the C.A.:

- 2.4.1 Materials for bulletins, two radio and television programs will be prepared by the end of month 6

Public education sector of the project studied the brochures, bulletins or other information materials for landowners published in Georgia (by the Land Markets Project or other projects). Formation of a complete picture made it possible to reveal a number of issues, creation of various information brochures, bulletins or manuals which have a

positive effect upon development of the land market. These issues include a manual on updated tax procedures and tariffs.

Also, the issue for organizing TV program has been studied. With the obtained information, it is possible to enter into the agreement with TV Company to cooperate for an entire year or for several years. Based on mutual agreement, periodically the cycle of programs about activities and achievement of the Association and the project will be prepared.

**Status:** Working on the manual continues along with the legal team. The work on assessment and discussion regarding agreement and service terms with TV companies is being continued.

#### 2.4.2 A minimum 10 public meetings will be held every six months.

Halting of the project on October 31<sup>st</sup> of last year had some effect on the schedule of public meetings, public education and exchange of the ideas. Besides the fact that APLR and its regional offices were functioning and conducting meetings with the population within its capabilities, the activities due to the financial conditions of the APLR were not large scale. Along with continuation of the project, organizing new public meetings is planned. With preliminary assessment the cycle of the meetings will start from western Georgia and will encompass the whole Georgia. However it shall be noted that for the purpose of making these meetings more productive, it is in APLR's and the project's interests to plan these meetings after selecting rayonal subcontractor companies for the project, and after opening APLR regional offices in some of the rayons. As a result, new participants of the process will be introduced to the public on these meetings. Solving this issue will select priority rayons and regions where public meetings will be held.

**Status:** In Imereti region (western Georgia) regional representatives of APLR started work in order to determine where and on what issues shall the meetings be held. Subcontractor companies are already selected in this region.

### **2.5. Develop policy and support the legal and regulatory framework to promote land markets and land-owner rights.**

**Status:** The Legal Sector developed amendments and addition to Laws on Land Registration, On Land and Related Immovable Property State Registration Fees. Legal team also provided consultations to the Parliamentary Committee Economic Policy on various issues. Introduction of amendments and additions to the Laws serves the purpose of assisting development of land and real estate markets.

## **Legislative activities**

### **Draft Law developed by the legal team on introduction amendments and addition to the Law on Land (Real Estate) Registration serves this purpose.**

One amendment reduces to the maximum extent the time-terms for issuing extract from public registry book and time-terms for registration of alienated property. According to the draft Law, which was presented, time-terms for issuing extract from public registry book is 48 hours. Based on this amendment, registrars will not have right to delay or refuse to issue the extract from public registry book. Proceeding from this draft Law demanding an extra fee for issuing extract from public registry book will be meaningless as the minimal time-terms for issuing documentation and registration will be directly defined in the Law.

### **Another draft Law prepared by the legal team introduces amendment to the Law on Land and Related Immovable Property State Registration Fees.**

This amendment mainly concerns fees for registration of non-agricultural land. According to the above-mentioned Law, initial registration is free of charge for privatized land based on so called Law on Declaration. This means that according to current legislation, initial registration of entrepreneurial and commercial land is free of charge, but there is fee to be paid by citizens that own individual dwelling houses in the cities or apartments in multi-storey buildings. According to amendment drafted by the legal team, initial registration will be free of charge for non-agricultural land on which individual houses and multi-storey apartments are located.

### **Legal team also drafted modified version of amendments and additions to the Law on Budget System and Budgetary Authorization.**

According to the proposed amendment, land registration fees will be fully transferred to the bank accounts of City (rayon) Departments of Land Management. Purpose of this addition is to encourage registration offices to register rights on land and related immovable property using fast and non-bureaucratic procedures.

In June, Parliament of Georgia adopted two Laws related to land (immovable property): a) On Introducing Addition to Tax Code and b) On Introducing Amendment to the Law on Administration and Disposition of State-owned Non-agricultural Land.

Apart from the above, in June, the legal team continued monitoring draft legislation and legislation approved. As a result of this activity the

list of legislative Acts adopted by Parliament of Georgia in June of this year, was obtained. Above mentioned two Laws are not included in this list, as they have not been signed by the President to date.

## **2.6 Support the development of professional associations:**

Targets of the C.A.:

Within six months of organization and registration of the umbrella SRO, the APLR and Terra will develop a strategic plan for commercial viability of the umbrella SRO and begin implementation of the plan. At the completion of the two-year project, it is expected that the umbrella SRO will be near commercial viability and will require limited foreign technical and financial assistance. This will include revenue generating capacity from a range of activities other than membership fees, i.e. certification programs, licensing, etc.

**Status:** Project employees established working team, who works on the indicated issue. Each member of the group represents certain professional direction and they are ready to elaborate and develop indicated professional unions in the future. To date the necessity for working of several professional directions has been identified, which are: brokers, surveyors, appraisers, auctioneers, real estate developers and registrars (the latter represents state institution at this stage and it is considered only as a possible option for the future, if this institution will be transferred into the private ownership). It is planned to conduct the work in two phases. The first phase is for studying current situation, determining what kind of reality exist in certain professional direction to day in Georgia, whether similar organizations are already established and what is their work practice. In the second phase, it is planned to elaborate strategic plan based on received assessment, as well as taking some specific steps in certain professional directions.

## **3. CONCLUSIONS, RECOMMENDATIONS AND REQUEST FOR ASSISTANCE**

### **3.1 Technical Aspects of the C.A.**

3.1.1 Expatriate Technical Assistance during this reporting period included:

- a) David Stanfield (Terra Institute, Ltd.) - Project Director, Interim Resident Advisor and NGO/SRO Advisor  
May 11 – June 12, 2001 and June 18 – July 1, 2001
- b) Ms. Sandra Stanfield (Chief Financial Officer for Terra Institute, Ltd.) – Financial and Administrative Support to the APLR  
May 25 – June 3, 2001

c) Mr. Bob Cemovich (Stewart Information International) – Legal Advisor

May 17 – June 8, 2001 and July 6 – 12, 2001-07-24

d) Mr. David B. Smith (Terra Institute, Ltd.) – Resident Advisor

June 26, 2001

3.1.2 Expatriate Technical Assistance programmed for the upcoming reporting period will include:

a) Mr. David Stanfield – Project Direct and NGO/SRO Development Advisor

September 15 – 30, 2001 (tentative)

b) Mr. Norman Flynn (International Real Property Foundation)– Realtor/Valuer, Auction Association Advisor

September 4 – 13, 2001 (tentative)

c) Mr. Leonard Rolfes (Rural Development Institute) – Legal Advisor

September 2001 dates TBD

### **3.2 Financial Aspects of the C.A.**

The Chief Financial Officer (CFO) for Terra Institute, Ltd. has requested the release of additional obligated funds for the upcoming period. The Cognizant Technical Officer (CTO) has acknowledged receipt of this request and Terra has been notified via the Resident Advisor that information on the release of these funds is forthcoming.

The Chief Financial Officer will be submitting the quarterly Financial Status Report (SF269a) as required to the appropriate USAID office. The CTO has requested copies of this report and this request will be accommodated.

### **3.3 Conclusion**

No unexpected or untoward problems were encountered in the first six weeks, and no exceptional need for assistance has yet arisen.